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FROZEN CUSTARD STANDS

DURING the late 1930's and early 1940's a few people began to experiment with a new food product. It tasted and felt a good deal like ice cream - but it wasn't. It was served by running it out of a faucet into a paper cup and it stood up about as stiffly as whipped cream. For lack of a better name, it was called "frozen custard," and later, "soft ice cream."

The frozen custard label has stuck in most sections of the country, but this somewhat unimaginative cognomen has failed to hinder its widespread and enthusiastic acceptance. Regardless of the name, the public apparently knows what it likes.

As proof that the public likes frozen custard, look around at all of the frozen custard stands - they are unmistakable. The rear portion is usually of concrete block and the front is mostly glass and they're probably the only type of store in the country the customer can't enter. However, there's no need to go inside because the customers are quickly and neatly served by passing the various cones, sundaes or shakes through an opening protected by a sliding screen panel.

No one we know of can tell us how many frozen custard stands there are today. Immediately after the war they began to rival the spring crop of dandelions, and more have been added each year. There are more than 400 in the St. Louis area and one well-informed source guessed that there are at least 100,000 in the entire country. Evidently they are not all confined to the United States because one equipment manufacturer writes that they have sold machines in 14 foreign countries. Not all of them are stationary. There is a complete "frozen custard trailer" on the market for those operators who want to follow the warm weather on a year-round basis.

Since this business is not a "war baby" but a "postwar baby" everybody in it is young in experience if not in years. Consequently, new ideas are being worked out every day. Merchandising methods are being developed to a high degree by some of the companies. Franchise agreements are undergoing change. Equipment has undergone most of its development, but some improvements are still to be made. In short, it is a field where it takes a brave man to call himself an expert. Those less brave feel that they haven't worked at it long enough.

Therefore, we are not writing this bulletin in the hope of creating a new field of frozen custard experts among our readers. What we do hope to accomplish is to give you a few figures to start from in case you ever have to appraise one, and a little background of the business in case you ever want to impress somebody who doesn't know anything about it.

As you already know, the location of the business is of first importance. This is not as trite as it sounds because the amount of money an operator can afford to pay is not too high as business locations go - about $12,500 is a fair guess at the maximum amount the operator should pay for ground and $150 per month on a year-round basis is about tops for leasing the ground. So you can see that finding a high-volume spot for this kind of money is sometimes a problem.

Most frozen custard stands are drive-ins, but some of them depend a good deal upon walk-in trade. If you look over the location you can tell pretty well whether the spot will attract walk-in business.

One absolute necessity is for the stand to be clean - that's the reason customers are not allowed inside and the reason for the rapidly sliding screen panel. Flies will kill a frozen custard business quicker than a late spring and cool summer. The proprietor and the employees must also keep themselves immaculate and the inside of the stand must be spotless. A well-run stand will have plenty of refuse cans sitting around the parking lot and signs will politely request the customers to use them.

Hand in hand with cleanliness and nearly as important is the architectural appearance of the stand. Today's mania for jet propulsion, streamlining and three-toned automobiles demands the most modern styling in the new frozen custard stands. The same beauty and design found in larger, more substantially built stores is available for the frozen custard stand at not much more cost. The operator who tries to save money by doing without the broad expanse of slanted glass windows and the wide roof overhang will frequently find that he has practiced false economy. A frozen custard stand should live up to its name - it should not look like a converted garage or a misplaced pillbox.

The consistency of the custard is another important factor. Most people don't object to drinking a malt through a straw, but they like the custard to have more backbone, even in 90°+ temperature. Therefore, it should have enough body (30-40% air) to stand up in the cup and not be puddled by the time the customer gets to his car. Most opinion revolves around 18-20° serving temperature, which will give a perfectly acceptable product if the mix is right. Incidentally, the butterfat content of frozen custard runs around 5% in most of the Midwest, although some States require between 8 and 10%.

In the early days the typical operation was a husband-wife team. This was partly because the early equipment was more difficult to operate than today's streamlined creations, and it took a while to learn how to get the best out of the equipment. Training the help was such a problem that most husbands and wives carried the bulk of the load themselves. This husband-wife combination still carries over into a good many of the new stands, but modern equipment is much easier to operate and running a frozen custard machine can now be classed as unskilled labor. Today a good many stands employ teen-agers at 75¢ to $1.25 per hour on about a 6-hour day. The proprietor opens up in the morning and the assistant comes on late in the afternoon to help with the evening rush.

A good stand in the St. Louis area will gross about $30,000-$32,000 during the April through October season. This is somewhat better than the $20,000-$25,000 nationwide average. In order to do this volume of business the stand will have to be in a good location and should operate about 14 hours a day on a 7-day week. We might point out that a few stands gross as high as $80,000 per year.

Building costs vary widely, but in St. Louis a good-looking building for frozen custard will run about $8,000.

The equipment necessary to handle this $32,000 gross business will include: 19-gallon continuous server (or freezer); mix storage cabinets, or a 6' x 6' 6" walk-in cooler; ice cream cabinet for storing quarts and pints for take-home trade; fountain for flavorings and toppings; soda dispenser; malt and shake mixer; malt dispenser; Brown Derby warmer; hot fudge warmer; cone dispenser.

Again the costs will vary - say from $5,000 for a small stand to $10,000 for a big one, and

it is possible to get by for $3,500 by using some secondhand equipment. However, the equipment listed above will cost about $8,000 installed in St. Louis.

Insofar as expenses on this $32,000 stand are concerned, they will break down about like this:

Land rental - $150 per month	$ 1,800
8,000 gallons of mix*	7,200
Supplies	5,000
Advertising and merchandising	500
Wages - 2 helpers at $1.25 per hour, 6 hours per day for 180 days	2,700
Utilities for 7 months	800
Building and equipment maintenance	700
Insurance	500
	$19,200

*Usually purchased from a local dairy. Cost about 90¢ a gallon. This brings roughly $4 per gallon at the spigot.

This leaves a net income before depreciation and before owner's salary of $12,800, or 40% on the gross income.

If we depreciate the building in 10 years (or over the life of the lease) there is a depreciation charge of $800 per year, and depreciating the equipment in 5 years results in another charge of $1,600. These depreciation charges of $2,400 deducted from the net income of $12,800 leave a net return to the real estate, enterprise and owner of $10,400. Incidentally, we have followed a conservative course in depreciating the equipment over 5 years. We are told that the Internal Revenue Service prefers a 10-year depreciation schedule.

In the matter of leases, they are usually written for a 5- or 10-year period, and since the building reverts to the owner of the ground at the end of the lease, unless otherwise stated, some provision should be written into the lease to protect the operator. Some of the early operators, unaware of this danger, did nothing to protect themselves and now find that they are being asked to pay an increased ground rental plus a hundred or two per month on what they still consider to be their building.

A good lease frequently calls for $75 per month for the first 3 years, $100 per month for the next 2 years and $150 per month for the next 5 years, with a 10-year option to renew for $150 per month. Payment is on a 12-month basis, even though most stands operate only 7 months in the North and Midwest. Percentage leases are few and far between.

Most operators finance their equipment purchases at a third down and at 6% over a 2-year period. There is, however, some latitude in both directions from these terms.

For a basically simple business, the behind-the-scenes operations are somewhat complicated at times. Behind the counter is the operator conducting a very simple trading transaction with his customers. Behind the operator, however, may be the franchiser or equipment manufacturer.

Some are both. In other words, some equipment manufacturers are also franchisers. However, some manufacturers, in addition to being franchisers, also make equipment for other franchisers who are not manufacturers. The various trade names such as Dairy Mart, Dairy Queen, Dairy Isle, Dari-Delite, Tastee-Freez, Zesto and others scattered across the country denote the franchised stands. In addition to occasionally paying a lump sum to the franchiser, the operator frequently pays a royalty to the franchiser. This royalty ranges from 10¢ to

50¢ per gallon of mix. This can get to be pretty expensive to the operator. There are other franchisers who make a lump sum charge of $250 per year and give the operator back $50 to help defray the cost of his opening-day advertising.

The benefits of operating under a franchise are first of all the advantage of operating under a brand name, secondly, receiving merchandising help (posters, stickers, 'SPECIAL FOR THE WEEK,' recipes, etc.) and advice on building and maintaining higher volume, and thirdly, the privilege of buying attractive and colorful cups, containers, napkins and other supplies somewhat cheaper than he could buy them from an independent source. The disadvantage is that some franchisers take too much away from the operator in high royalty payments. Another quirk in the franchise setup is that sometimes operators under the same franchiser and in the same area will be under different royalty agreements - one paying a good deal more than the other.

There are, of course, the independents, such as the operators who buy their own ground, build their own buildings and put in whatever equipment they feel will do the job (frequently secondhand). They pay no royalties, and the only control over their operation is that exercised by themselves and the local health officer. Some of these do a very good business, but most do not do the volume that is done by the brand-name stands.

Up to now the history of the business has been one largely of success. There was a time when almost anyone could pick a fair location and make a good living in frozen custard. However, the apparent easy pickings brought a large number of people into the business, many of whom were not suited to it in training or disposition. Some of the operators have gone broke and a good many others have been disillusioned by the long hours and less than expected earnings.

The future of the industry is good. While changes will continue to take place, most of the pain and mistakes of rapid growth are past. Furthermore, the outlook for customers is excellent. Between three and four million are born each year and become consumers of frozen custard at an early age. For the operator the future is about as good as his location and as you know, locations vary tremendously geographically as well as from year to year. There's no question that the business is growing more competitive and, in our opinion, new operators should go into the business with all the help they can get. This, of course, means with the help that goes along with a brand name and national or regional advertising. Except in unusual cases, and they do exist, the independent operator will not do so well as the one operating under a brand name.

Tom McReynolds

TOM McREYNOLDS